

Saskatchewan Transportation Company

First Quarter Report 2007

2007 1st Quarter Corporate Reporting

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Management Discussion and Analysis

In this MD&A, STC Management will discuss the results of its First Quarter operations in 2007, in context of both the corresponding quarter in the previous year and, in general terms, in relation to the anticipated financial position of the company over the full year.

The MD&A will also review any emerging corporate issues which arose in the quarter and will have a lasting impact on the corporation's fiscal position.

Passenger Service:

In the first quarter of 2007, STC coaches traveled 776,546 miles, serving 278 Saskatchewan communities.

Revenues for passenger operations in the quarter were \$1,824,000, down from the \$1,842,000 in revenues realized by the company in the first quarter of 2006. Expenses associated with operating passenger services were \$2,188,000, up from the 2006 figure of \$2,142,000.

Operating losses for passenger services in the quarter were \$364,000, compared to a loss of \$300,000 in the first quarter of 2006.

Actual revenues from passenger service were down \$46,000 from the projected revenues for the quarter.

Express Service:

Through its network of 190 agents in the province and interconnecting arrangements with other carriers, STC hauls freight throughout the province and connects to destinations across North America.

In the first quarter of 2007, revenues from express operations were \$1,425,000, up from the revenues of \$1,342,000 realized in the first quarter of 2006. Express operating expenses during the quarter amounted to \$1,178,000, up from the \$1,089,000 in expenses for the same period the previous year.

Overall, profits for freight operations in the first quarter amounted to \$247,000, compared to a profit of \$253,000 for the first quarter of 2006. Revenues for freight operations are slightly above expectations for the quarter.

STC's express service tends to be somewhat seasonal, due to a lack of activity in the farming industry at this time of year. It is anticipated express revenues will increase in the remaining quarters.

Maintenance Services:

STC operates a garage in Saskatoon for major bus servicing, and one in Regina for minor bus servicing. In addition, the company uses its facilities to do maintenance work for other bus companies, as well as to store vehicles for other companies.

The expenses for maintenance services in the first quarter of 2007 amounted to \$821,000, as compared to \$760,000 for the same three-month period in 2006.

Financial Services:

Overall, STC's revenues for the first quarter of 2007 amounted to \$3,577,000, compared to \$3,462,000 for the first quarter of 2005, while expenses were \$5,262,000, compared to \$5,063,000 the previous year. The company's loss, before grants, for the quarter was \$1,705,000, compared to \$1,601,000 for the first quarter of 2006.

STC has been approved for an operating grant of \$6.0 million from its holding company, the Crown Investments Corporation of Saskatchewan. Current projections for the year, based on the first quarter, indicate that the company will require that amount of grant funding. The projected operating loss for the year is \$5.8 million, compared to \$4.0 million in 2006.

In the first quarter, STC drew down \$750,000 of the grant funds available from CIC. STC had no outstanding loans or indebtedness in the quarter.

At the end of the quarter, the Government's equity in STC stood at \$25,224,000, compared to \$20,280,000 at the same time last year.

Other Issues:

During the quarter, work continued on construction of a new Regina passenger and freight depot and head office, approved in late 2005.

Ridership for the quarter stood at 68,402, compared to 70,035 in the first quarter of 2006, when STC had its second straight year of increased ridership in 15 years. This decrease in ridership in the first quarter of the year is somewhat worrisome, but it is still early in the year.

Saskatchewan Transportation Company**Statement of Financial Position**

(unaudited - thousands of dollars)

	As at March 31, 2007	As at December 31, 2006
Assets		
Current		
Cash	\$ 717	\$ 1,788
Accounts receivable	1,261	1,546
Inventories	354	337
Prepaid expenses	215	162
	<hr/> 2,547	<hr/> 3,833
Property, plant and equipment	22,677	20,501
	<hr/> \$ 25,224	<hr/> \$ 24,334

Liabilities and Province's Equity

	\$	\$	\$
Current			
Accounts payable and accrued liabilities	2,870	3,024	
Deferred capital grant			
	12,705	11,020	
Province of Saskatchewan's Equity			
Retained earnings	9,649	10,290	
	<hr/> \$ 25,224	<hr/> \$ 24,334	

Saskatchewan Transportation Company
Statement of Operations and Retained Earnings
(unaudited - thousands of dollars)

	Three months ended March 31	
	2007	2006
Revenue		
Express services	\$ 1,425	\$ 1,342
Passenger services	1,824	1,842
Other	308	276
Loss on disposal of property, plant and equipment	-	2
	3,557	3,462
Expenses		
Operating	4,187	3,991
Administration	646	624
Amortization	429	448
	5,262	5,063
Loss before the following	(1,705)	(1,601)
Operating Grant	750	1,000
Capital Grant	314	321
Net income (loss)	(641)	(280)
Retained earnings, beginning of period	10,290	9,812
Retained earnings, end of period	\$ 9,649	\$ 9,532

Saskatchewan Transportation Company
Statement of Cash Flows
(unaudited - thousands of dollars)

Three months ended March 31
2007 2006

Operating Activities

Net income (loss)	\$ (641)	\$ (280)
Items not involving cash:		
Amortization	429	448
Loss on disposal of property, plant and equipment	-	(2)
Recognition of capital grant	(314)	(322)
Net change in non-cash working capital	61	(329)
Cash provided by (used in) operating activities	(465)	(485)

Investing Activities

Additions to property, plant and equipment	(2,606)	(447)
Proceeds on disposal of property, plant and equipment	-	6
Cash used in investing activities	(2,606)	(441)

Financing Activities

Capital grant received	2,000	200
Cash used in financing activities	2,000	200
Increase (Decrease) in cash	(1,071)	(726)
Cash, beginning of period	1,788	1,157
Cash, end of period	\$ 717	\$ 431

Saskatchewan Transportation Company

Notes to Financial Statements

(unaudited)

1. Basis of Presentation and Significant Accounting Policies

The interim financial statements of the Saskatchewan Transportation Company (the Company) have been prepared by management in accordance with Canadian generally accepted accounting principles. Certain information and disclosures normally required to be included in the notes to annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with the financial statements and notes thereto in the Company's annual report for the year ended December 31, 2006.

These financial statements have been prepared following the same accounting principles as the financial statements for the fiscal year ended December 31, 2006.

2. Seasonal Nature of Express Revenues

Historically, STC's express service tends to be seasonal with the first quarter being slightly lower and the fourth quarter being slightly higher than the second and third quarters. This is due to the absence of significant agricultural activity in the first quarter and the increase in holiday shipping in the fourth quarter of the year.



